



House of Representatives

General Assembly

File No. 331

January Session, 2007

Substitute House Bill No. 7100

House of Representatives, April 4, 2007

The Committee on General Law reported through REP. STONE of the 9th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING PROFESSIONAL EMPLOYER ORGANIZATIONS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2007*) (a) As used in sections 1 to 4,
2 inclusive, of this act:

3 (1) "Commissioner" means the Commissioner of Consumer
4 Protection;

5 (2) "Professional employer organization" means a person engaged in
6 the business of providing professional employer services to other
7 businesses, including management of human resources and employee
8 benefits, including, but not limited to, health insurance, retirement
9 plans and workers' compensation.

10 (b) The following are not professional employer organizations for
11 purposes of sections 1 to 4, inclusive, of this act:

12 (1) Arrangements where a person does not enter into professional

13 employer arrangements as his or her principal business activity, does
14 not hold himself or herself out as a professional employer organization
15 and shares employees with a commonly owned company within the
16 meaning of section 414(b) and (c) of the Internal Revenue Code of 1986,
17 or any subsequent corresponding internal revenue code of the United
18 States, as from time to time amended;

19 (2) Independent contractor arrangements where a person assumes
20 responsibility for a product produced or service performed by such
21 person or such person's agents and retains and exercises primary
22 direction and control over the work performed by individuals whose
23 services are supplied under such arrangements; or

24 (3) The provision of temporary employment services.

25 Sec. 2. (NEW) (*Effective July 1, 2007*) (a) No person acting
26 individually or jointly with any other person shall establish, conduct,
27 operate or maintain a professional employer organization in this state
28 without first obtaining a certificate of registration from the
29 Commissioner of Consumer Protection pursuant to section 3 of this
30 act.

31 (b) A professional employer organization may use the terms or
32 conduct business as a "professional employer organization", "PEO",
33 "staff leasing company", "registered staff leasing company",
34 "administrative employer" or any similar name.

35 Sec. 3. (NEW) (*Effective July 1, 2007*) (a) Any person seeking a
36 certificate of registration as a professional employer organization shall
37 apply to the Commissioner of Consumer Protection, in writing, on a
38 form provided by the commissioner. The application shall include the
39 applicant's name, residence address, business address, business
40 telephone number and such other information as the commissioner in
41 his or her discretion may require, including, but not limited to,
42 minimum working capital requirements and audited financial
43 statements.

44 (b) The fee for a professional employer organization registration is
45 five hundred dollars.

46 Sec. 4. (NEW) (*Effective July 1, 2007*) The Commissioner of Consumer
47 Protection shall adopt regulations, in accordance with chapter 54 of the
48 general statutes, to implement sections 1 to 3, inclusive, of this act
49 regarding the registration and monitoring of professional employer
50 organizations.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007</i>	New section
Sec. 2	<i>July 1, 2007</i>	New section
Sec. 3	<i>July 1, 2007</i>	New section
Sec. 4	<i>July 1, 2007</i>	New section

GL *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Consumer Protection, Dept.	GF - Cost	182,000	176,000
Comptroller Misc. Accounts (Fringe Benefits) ¹	GF - Cost	102,800	106,000
Consumer Protection, Dept.	GF - Revenue Gain	Potential	Potential

Note: GF=General Fund

Municipal Impact: None

Explanation

This bill requires professional employer organizations to register with the Department of Consumer Protection (DCP). This would require additional staff resources, as detailed below, depending upon the level of activity experienced for this newly licensed category:

Item	FY 08	FY 09
Attorney	37,331	38,451
Special Investigator	54,187	55,813
Accountant	54,187	55,813
License & Applications Specialist	25,133	25,887
Other Expenses	5,895	0
Equipment	5,255	0
Fringe Benefits	102,844	105,930
Total	284,832	281,893

¹ The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate for a new employee as a percentage of average salary is 25.8%, effective July 1, 2006. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System (SERS). The SERS 2006-07 fringe benefit rate is 34.4%, which when combined with the non pension fringe benefit rate totals 60.2%.

The bill requires that certain fiscal information about a Professional Employer Organization (PEO) be reviewed. DCP currently does not have staff to perform this required financial review and associated enforcement. The registration for these organizations, similar to those under the Homemaker Companion Agency Registration program, is more complex and detailed than a registration for an individual occupational license.

This bill would also yield registration revenue from applicants who must pay a one-time registration fee of \$500 to DCP. The revenue that would be generated from this fee is unknown, but is not anticipated to be significant.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and subject to the number of newly licensed registrants, which is unknown at this time.

OLR Bill Analysis**sHB 7100****AN ACT CONCERNING PROFESSIONAL EMPLOYER ORGANIZATIONS.****SUMMARY:**

This bill requires professional employer organizations to register with the Department of Consumer Protection (DCP) and prohibits establishing, conducting, operating, or maintaining one without first registering. Applicants must pay a one-time \$500 registration fee and provide certain information. The DCP commissioner must adopt regulations about registering and monitoring the organizations.

The bill allows the organizations to use the terms “professional employer organization,” “PEO,” “staff leasing company,” “registered staff leasing company,” and “administrative employer,” and similar names but does not prohibit other entities from using them.

EFFECTIVE DATE: July 1, 2007

PROFESSIONAL EMPLOYER ORGANIZATION

The bill defines “professional employer organization” as a person engaged in the business of providing professional employer services to other businesses, including managing human resources and employee benefits, such as health insurance, retirement plans, and workers’ compensation. It excludes:

1. arrangements in which a person whose principal business is not entering into professional employer arrangements and does not hold oneself out as a professional employer organization and shares employees with a commonly owned company as the term is used in federal tax law;

2. independent contractor arrangements in which a person assumes responsibility for a product produced or service performed and exercises primary direction and control over the work performed by individuals whose services are supplied under the arrangements; and
3. the provision of temporary services.

APPLICATION

The bill requires applicants to apply to DCP on its form, which must include the applicant's name, residence and business addresses, telephone number, and other information the commissioner may require, such as minimum working capital requirements and audited financial statements.

COMMITTEE ACTION

General Law Committee

Joint Favorable Substitute

Yea 19 Nay 0 (03/14/2007)